

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



**FILED**

1-22-16  
04:59 PM

Order Instituting Rulemaking Regarding  
Policies, Procedures and Rules for the  
California Solar Initiative, the Self-  
Generation Incentive Program and Other  
Distributed Generation Issues.

Rulemaking 12-11-005  
(Filed November 8, 2012)

**REPLY COMMENTS OF STEM, INC  
ON THE ENERGY DIVISION PROPOSAL ON  
MODIFICATIONS TO THE SELF-GENERATION INCENTIVE PROGRAM**

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January 22, 2016

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Stem, Inc. (Stem) submits these reply comments on the *Energy Division Staff Proposal to Modify the Self-Generation Incentive Program* (Staff Proposal or Proposal) pursuant to the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure.

**I. Introduction**

Stem submits these comments based on specific recommendations from parties’ opening comments on the Staff Proposal. We find that the record supports many of the recommendations of the Proposal, and we urge the Commission to issue a timely Proposed Decision that reflects the major aspects of the Proposal, including the budget allocation and framework to create a stand-alone category for energy storage at 75% of the annual budget. Additionally, Stem supports recommendations for modifications to the eligible technologies list, including the removal of technologies that do not support the program goals of reducing GHG emissions.

Stem also notes that several parties provide comments in support of addressing the opening day “stampede” issue, the lack of continuous funding availability, and the negative impacts of speculative projects that tie up program funding for extended periods of time. For

these reasons, we recommend the Commission adopt program modifications that allow Program Administrators (PA) to apply a merit-based weighting within the selection process on developers and projects submitted through SGIP.

We also find several parties' arguments for the removal of a manufacturer's cap in favor of a developer's cap to be reasonable. Stem therefore recommends the Commission eliminate the individual manufacturer's cap and instead adopt a developer's cap.

Finally, Stem acknowledges that several parties support the Proposal's recommendation to adjust the Performance Based Incentive (PBI) annual discharge requirements from 520 to 260 hours. We strongly support this recommendation and ask that the Commission allow for this modification to apply retroactively to existing PBI-eligible systems.

## **II. Discussion**

### **A. SGIP Should Have a Merit-Based Weighting for Projects and Developers**

Several parties, including CSE<sup>1</sup>, PG&E<sup>2</sup>, CESA<sup>3</sup>, SolarCity<sup>4</sup>, and Green Charge Networks<sup>5</sup> provide recommendations to modify SGIP in order to address the issues with the limited availability of funds and realistic potential for the rapid depletion of funding within the opening days of the program, also referred to as the "opening day stampede". In their comments, all of these parties recognize that even with modifications to the rebate decline structure, such as the dollar-based step decline proposed by Staff<sup>6</sup> or the market-based rebate adjustment

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<sup>1</sup> CSE Comments, pg. 7

<sup>2</sup> PG&E Comments, pg. 4

<sup>3</sup> CESA Comments, pg. 10

<sup>4</sup> SolarCity Comments, pg. 17

<sup>5</sup> Green Charge Networks, pg. 6

<sup>6</sup> Staff Proposal, pg. 21

mechanism proposed by PG&E<sup>7</sup>, the issue of the opening day stampede will still exist for several steps within the program. Additionally, these parties also identified the related issue of developers that submit projects with low probability of being seen to completion (i.e. speculative projects), simply as a way of sweeping up program funding and because there is little to no recourse for this type of behavior. Stem strongly believes that future program success hinges on resolving these issues.

In order to attempt to address these issues, PG&E<sup>8</sup>, CESA<sup>9</sup>, and others recommend the implementation of a lottery-based selection process for funding applications. Stem appreciates the intention behind these recommendations as a way for the program to address the identified issues as well as seek to disburse limited funds in a more equitable way. We agree that a lottery-based system could prove to be a more efficient way for the program to distribute funding if this system included a mechanism to reward those developers that submit non-speculative applications.

Specifically, Stem agrees with several of the structural components of a lottery system proposed by PG&E. We believe that a semi-annual or quarterly lottery specific to each technology category would provide more market certainty to customers and project developers than the current annual system. Additionally, we support the recommendation to prohibit the submittal of duplicate applications, as well as an increase in the Application fee (though Stem would support an increase in the fee to 5%). We would also add to the structure an ability for developers to submit a priority ranking of their applications within the 2-week application window as a way to manage the potential uncertainty that would still exist with the overall

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<sup>7</sup> PG&E, pg. 14

<sup>8</sup> PG&E, pg. 28

<sup>9</sup> CESA, pg. 9

number of applications that would be approved for any one developer. For example, if a developer submits 5 applications but only 3 get selected in the randomized lottery system, that developer would have the ability to determine which 3 out of their 5 receive funding for any given funding period. Additionally, we would recommend that the PAs adopt a merit-based weighting factor for all applications submitted that would allow for developers with projects with greater merit to stand a better chance of receiving approval within the lottery process. This merit weighting could be based on a developer's historical performance in the program and the number of projects that a developer has completed versus the number of applications they have submitted. We believe this merit-based weighting could be implemented in a way that does not ostracize new market entrants, but does dis-incentivize bad behavior from developers who continue to submit speculative projects.

Stem believes the adoption of these recommendations will lead to greater program performance and success as well as provide greater benefits to ratepayers.

## **B. The Commission Should Adopt a Developer's Cap**

Though the Staff Proposal contemplates the inclusion of a developer's cap within SGIP, Stem believes the Staff Proposal errs in recommending the program have both a manufacturer's as well as a developer's Cap. We note that parties, including PG&E<sup>10</sup>, Tesla<sup>11</sup>, and SolarCity<sup>12</sup> all advocate for an individual developer/installer's cap. We support PG&E's comment that a developer's cap better protects the program from manipulation of the application process simply to get around the cap. Also, we support the arguments made by several parties that a developer's

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<sup>10</sup> PG&E, pg. 23

<sup>11</sup> Tesla Comments, pg. 4

<sup>12</sup> SolarCity, pg. 7

cap protects against developer being unfairly impacted by the submittal of speculative projects that tie up program funding for a manufacturer, while other developers who intend to use the same equipment on a viable project are prevented from moving forward. Stem believes that these reasons, as well as expected future market trends for AES, support the migration of the program rules from a manufacturer's cap to a developer's cap.

### **C. The Changes to the Operational Requirements for Storage Should Apply Retroactively**

As stated in our opening comments, Stem strongly supports the Staff Proposal's recommendation to reduce the annual minimum hours of dispatch for commercial storage devices from 520 to 260 hours. Stem recommends that the Commission adopt these revised operational requirements for all AES systems that qualify for PBI, and therefore apply the new requirements retroactively so that existing systems that are still within the 5-year PBI compliance period would be required to dispatch their systems according to the revised operational requirements. This will lead to less complexity for the administration of the program and compliance from program participants, given the streamlined nature of having to comply with a single set of operational requirements across all AES systems. Additionally, it will ensure that all of the AES systems that have received funding through SGIP to date receive the equal protection against unwarranted dispatches that any newly installed system would receive.

There is precedent for this type of programmatic change within the R. 12-11-005 proceeding, as the Commission recently adopted in D. 15-12-023<sup>13</sup>, which retroactively applies the new PBI payment structure to existing PBI-eligible projects in the California Solar Incentive

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<sup>13</sup> D. 15-12-013 "Decision Granting the Petition for Modification of the Performance-Based Incentive Payment Structure by the Program Administrators of the California Solar Initiative"

(CSI) program. Stem suggests the Commission take a similar approach within SGIP and apply the new AES operational requirements to both new and existing projects.

### **III. Conclusion**

Stem appreciates the opportunity to provide these reply comments, and thanks the Commission, Energy Division Staff, and parties to this proceeding for the continued commitment to improving the Self-Generation Incentive Program.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Anthony Harrison', followed by a horizontal line.

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January 22, 2016